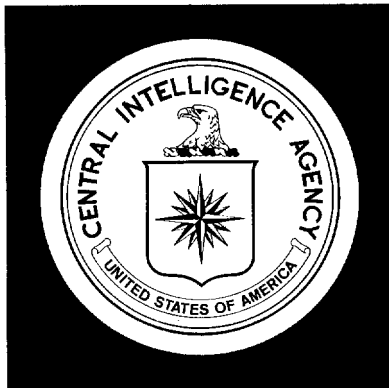


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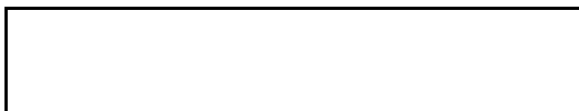
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ARAB STATES - ISRAEL: Yesterday's two-hour Israeli-Egyptian discussions at Kilometer 101 were inconclusive, but the two sides agreed to meet again today. UN spokesmen indicated that both sides had shown a "constructive" attitude and had clarified "many details." UN officials also told the press that the Egyptians and Israelis expect to reach an accord within a matter of several days. Other Israeli and Egyptian military representatives in a separate tent at the Kilometer 101 site, meanwhile, are conducting talks dealing with the return of the bodies of soldiers killed in action, the evacuation of additional Egyptian wounded from Suez city, and the reunification of Egyptian families separated as a result of Israeli military operations west of the Suez Canal.

Israeli Defense Minister Dayan yesterday painted a grim picture concerning future peace negotiations. According to press reports, Dayan told a meeting of the Tel Aviv Bar Association that Israel is not at the end but at the beginning of a war with Egypt and Syria, and that the Israelis must ensure that the Geneva peace conference is neither a "withdrawal conference as the Americans want" nor a "surrender conference as the Arabs want." Israel, he said, "must be very careful not to retreat from the Golan Heights. We do not have to move from the Jordan, and far be it from us to move from Sharm ash-Shaykh," at the tip of the Sinai Peninsula. He had further warnings about Arab desires to "destroy the state of Israel" and about the necessity for Israel to "tackle the Bab al-Mandab" blockade. Dayan's statements were in marked contrast to those attributed to him earlier in the week, when he was urging Israelis to be flexible about negotiations with the Arabs.

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reserves. No major violations of the cease-fire have been announced along any front. UN observers on the Syrian front, who were requested on 22 November to report any unusual activity, have not submitted any reports.

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Israel yesterday sent a formal complaint to UN Secretary General Waldheim charging Syria with the "murder and mutilation" of Israeli POWs. According to press reports, the Israelis asked that the complaint be circulated as an official document of the UN General Assembly and of the Security Council. Israel remains seriously concerned about the fate of Israeli POWs in Syrian hands and continues to seek ways to bring international pressure on Damascus to at least publish a POW list. Tel Aviv claims Syria is holding 127 Israelis, while Israel holds 360 Syrian POWs.

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FRANCE: Dissatisfaction with President Pompidou's leadership was apparent at the recent Gaullist party congress.

Pompidou did not attend the biennial affair last week, and numerous references made to him were greeted with lukewarm enthusiasm by the 5,000 delegates. In contrast, former prime ministers Michel Debre and Couve de Murville and current Prime Minister Pierre Messmer--all arch-Gaullists--were roundly applauded. Pompidou's isolation was further illustrated by the acclaim given Jacques Chaban-Delmas, a prominent member of the liberal wing of the Gaullist party. In effect, the Gaullists seemed to come away from the congress with a new sense of unity that excludes Pompidou.

Discontent with Pompidou's performance has been building for some time. Many Gaullists believe he has lost his political knack and cannot provide the strong leadership needed to solve the increasingly difficult problems facing France. Pompidou's faltering leadership was held responsible for the lackadaisical national response to the referendum in April 1972 on the enlargement of the EC. The government's difficulties in coping with inflation and its indecisiveness in dealing with farmers, tradesmen, and workers were also cited by delegates. Rumors also circulated at the congress that the President's health will not permit him to complete his term in 1976.

There were also signs at the congress of uneasiness over the direction Pompidou's policies may be taking. Debre told the delegates that he hoped to be able to speak officially in the name of the militants. His remark was widely interpreted as foreshadowing the creation of a new party post for him--perhaps "president of the national committee"--which Pompidou has opposed. Pompidou is concerned that such a post could divert the complete loyalty of the Gaullists from the President of the Republic. The hard-liners have also reportedly formed a watchdog committee to follow and comment on Pompidou's

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policies. In October they publicly opposed him for the first time over his proposed constitutional amendment reducing the presidential term from seven to five years.

Pompidou is at a disadvantage in fighting this development because some arch-Gaullists have never accepted him as a true Gaullist. His call on 31 October for regular EC summits and early EC consideration of economic and financial problems was designed in part to demonstrate that he is in full control and able to assert the influence that the Gaullists insist France must have in Europe. The hard-liners will find Pompidou's intended flexibility on these issues unpalatable, however.

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CANADA: Ottawa is negotiating wheat deals with Syria, Egypt, and Libya totaling \$375 million, according to the US Embassy. At current prices, this would represent 1.8 million tons of grain and would be Canada's largest sale since the contract with China in September. These negotiations, which follow reports of similar talks with Venezuela, suggest that Ottawa may be trying to link wheat exports to crude oil supplies. Canada faces rationing at the wholesale level unless there is a sudden improvement in its oil supplies. Eastern Canada obtained 22 percent of its crude supplies from the Arab countries and 44 percent from Venezuela before the cutback.

FOR THE RECORD*

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Japan: Finance Minister Kiichi Aichi's death on 23 November leaves Prime Minister Tanaka without one of his most experienced and capable supporters at a critical time. Aichi's portfolio is Japan's most important, and Tanaka is taking it over at least temporarily. It is possible that Aichi's death may bring about a cabinet reshuffle that had been bruited about recently but which Tanaka apparently had decided to postpone, partly because of the oil crisis. [REDACTED]

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Turkey: Leaders of the two parties that won the largest vote in national elections on 14 October--the Justice Party and the Republican Peoples Party--have ruled out any coalition between them, thus eliminating one more solution to the impasse in efforts to form a new government. Although formation of a minority government by one of the two parties is still a possibility, interest appears to be shifting toward holding new elections. A call for elections would require action by the National Assembly, which itself has been so paralyzed that it has been unable even to elect a presiding officer. [REDACTED]

International Monetary Developments: The dollar closed significantly stronger on European money markets this week. The appreciation since Monday against the mark, the pound, and the French franc amounted to from 2.0 to 3.1 percent; these currencies continue to be depressed by fears of the potential effects of the oil shortage. Speculators also are purchasing dollars in anticipation of the US trade data for October, to be released Tuesday. [REDACTED]

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